

UNCOVERING THE MORAL HAZARD IN FIRE INSURANCE

Efforts of the National Board of Fire Underwriters to Prevent the Loss of Millions of Dollars by Extinguishing Human "Torches" Reveal Many Unique Schemes Employed by Thoroughly Organized Bands of Criminals Engaged in the Sordid Business of Arson

Property valued at many millions of dollars is every year destroyed by fires of incendiary origin. The losses would be many times greater if it were not for the nation-wide movement being carried on by the insurance companies, in cooperation with Federal, state and municipal authorities, to exterminate the "fire bug." Thus, while at first thought the efforts being made to eliminate arson seem to be a matter of economic importance, it has assumed that aspect in recent years.

The cases cited in the article published herewith are typical of hundreds of others which are constantly engaging the attention of the fire insurance interests, who recognize clearly enough that if they were any less vigilant the amount of destruction wrought by arson would increase at an alarming rate.—Financial Editor.

AT THE present time arson is occupying a more prominent place in the news of the day than ever before, because of the knowledge that incendiary plots are a feature of the German propaganda. However, arson is no new thing to the fire marshals and the insurance profession, and the National Board of Fire Underwriters has long maintained a committee for the purpose of combating this great evil. For many years the arson committee was chiefly active in the matter of offering rewards to stimulate the detection of incendiaries by local authorities, but early in the present year the committee was reorganized upon new and greatly extended lines, including the employment of its own force of special agents.

These special agents need to be picked men, since there are few crimes in the calendar so baffling as those involved in many of the suspicious fires. Fires occur almost incessantly. Statistics show that fires large enough to become matters of record average a little more than one each minute, night and day, throughout the year. Most of these fires, of course, are purely accidental, and in most of them the cause is not far to seek. But here and there occur blazes under circumstances so suspicious as to furnish a strong presumption of crime.

Loss Runs

Into Millions

Viewed in the aggregate, these fires are very numerous. They represent a total destruction running into millions of dollars, and they take a heavy toll of human life. And yet so frequently do they destroy their own evidence that their detection becomes a matter calling for the highly trained faculties of the most experienced investigators.

National Board special agents are frequently sent out on cases which are almost romantic in their adventurous interest. The trail may lead to some bungling, amateur firebug who desires to collect illegitimate insurance money, and who plainly shows his hand in every move that he makes. Or it may discover the activities of an able and desperate band of criminals organized for expert teamwork of the cleverest description. A case of this kind is given in the words of Judge Osterlander, of Chicago, as follows:

"Some two years ago a request came to me from a prosecuting attorney in one of the Middle States that I confer with him immediately concerning a gang of incendiaries that he had by some means uncovered. I found in his possession two affidavits, disclosing the names of many scoundrels, with a carefully prepared statement of their operations during the several years of their confederated existence. In this list of rascals were the names of several church members, one banker, one wholesale merchant and several insurance agents. This business had been carried on in some five or six different states, and had resulted in the destruction of property to the value of several hundred thousand dollars and the violent death of two persons, one of whom had been murdered to prevent disclosures."

Firebugs

Organization

Such gangs as the one described above may be organized as carefully as a baseball team. They are really aggregations of specialists, each of whom has his particular part to play. They usually include one or more men technically known as "torches," for the actual starting of the fires, and, above these, a more or less complicated organization in which each man has his individual function. A crooked fire insurance agent is an important factor, one or two adroit and plausible talkers, one or more "strong arms" in case of necessity, and always one or more men of standing in business or politics, to ally suspicion. In this latter connection a banker may be of special value.

A case of this kind occurring a year or two ago in the Middle West will show a well recognized type. A man whom we will call W. was president of a bank and had considerable "special standing in his community, where, of course, his affiliation with a criminal gang was not suspected.

Banker in Fire Syndicate

The visible operation began when a man who may be known as B. made apparent preparations to open a grocery store. He secured a vacant building and negotiated for a stock of goods, for which he offered a note in payment. The one selling the stock required some evidence of credit, and B. accompanied him to the bank, where they sought an interview with Mr. W.

The banker greeted B. with the utmost cordiality and assured the prospective creditor that the credit was perfectly sound, adding that the bank would be glad to discount the paper. In the light of these assurances the goods were transferred, and the seller received in payment a note, which he promptly took back to the bank for discount, as promised.

The banker reiterated his high opinion of B.'s responsibility, but requested that the note be held for several days, as he was expecting a visit from the bank examiner and did not wish to have too much paper on hand.

Entirely disarmed, the creditor complied with the request for delay, and after what seemed to be a proper interval renewed his application. This second time the banker still talked reassuringly, but stated that in looking over their accounts the directors of the bank had noted that they were carrying a good deal of paper and had instructed him to make no further discounts until certain expected payments had been made. This, the banker explained, was a mere matter of form, since he had reason to believe that B. was about to receive a considerable amount of money.

The creditor pressed the matter, but was unable to get any further satisfaction. At a still later date he made a third attempt, and this time was told by W. that certain information had just reached him indicating that B. had been financially hurt in a way that made it impossible to accept his paper. The disappointed creditor insisted that W. had verbally guaranteed the account; this W. flatly denied, and substantiated his denial by fake witnesses to the conversation. Thus, however, was a mere by-product of the larger plan. In the meantime the stock had been installed in the store and covered by insurance, through the complicity of the insurance agent, and then had been secretly moved out in the night for shipment to another town, where the operation was later repeated. As soon as the goods were taken from the store the fire was set and the building consumed. It is hardly necessary to add that an application for the payment of the insurance was promptly presented to the company.

This single stock of goods, for which no money had ever been paid, served as the basis for a number of insurance frauds in different towns before the gang was finally run down.

Political Influence Aid to Incendiarism

There was one extraordinary series of crimes in Central Illinois, with almost the romantic values of a Sherlock Holmes story. Its leader was an able and resourceful fellow named W., a man who, in some respects, might be compared with Conan Doyle's star criminal, "Professor Moriarty." W. was a man of imagination and so large a degree of political influence that he actually had the audacity to urge the appointment of his own candidate for state fire marshal. It is probable that the appointment would have been made by the Governor, who was unaware of the "dark forces" behind the nomination until the receipt of protests caused him to investigate. Even Conan Doyle would hardly have imagined a situation wherein a professional incendiary would attempt to dominate the office charged with the suppression of his special class of crime.

W. seemed to move in an atmosphere of fire. Mysterious blazes were more or less intangibly associated with his name, but so adroit was he in covering his trail that it was some time before the authorities were able to secure convicting evidence.

Take, for example, the case of Mabel B. and Jessie S. These two young women, sisters, with their mother and their little nephew, moved into a house in a certain city about a mile and a half from the nearest fire department station.

They installed a small amount of furniture, upon which they succeeded in getting \$2,700 worth of insurance.

A few days later neighbors were awakened at 3 o'clock in the morning by the two young women, who stated that they had fled from their burning house. These neighbors were suspicious. The girls were more fully dressed than would have seemed natural under the circumstances, and there was an unpleasant odor of kerosene about the clothing of one of them.

A Fire That Didn't Burn

The Fire Department was promptly summoned and, arriving much sooner than had been expected, succeeded in extinguishing the fire before it had gained much headway. The firemen found complete evidence of criminal intent. There was a strong odor of kerosene through the house. At many places the walls had been cut and oil had been poured into the openings. "Streamers" of lace curtains had been run up a back stairway to the second floor and thence to the attic, in order to carry the fire from floor to floor. The adjacent stairways had been thoroughly saturated with kerosene, and there was a large pool of oil upon the attic floor, where the "streamers" ended.

It was found that the bed in which the young women claimed to have slept had not been occupied that night, and that they surely would have been suffocated had they been sleeping there. Also, that their mother and little nephew had left the house in advance of the fire.

Clearly, an incendiary fire had taken place, and clearly, also, there were grounds for suspicion against these young women. However, the best bit of evidence was unwittingly furnished by a canary. The house contained an empty cage. It was known that there had been a canary in the house. Why, then, was the cage vacant? This seemed a clue worth following. The detectives learned that when the mother and nephew had left, before the fire, they had taken with them a perforated paper bag. Following them up to the house where they had gone, they discovered this bag, and within it a very much frightened canary.

They reasoned as follows: People do not customarily carry canaries in paper bags, particularly when a perfectly good cage has been left behind. If no danger had been expected the canary would naturally have been left in the house in the care of the young women who remained. If, on the other hand, they did expect a fire and desired to save the life of their pet, a cage is a conspicuous object to be carried through the streets by people who desire to avoid attention. Thus the canary furnished an essential piece of evidence which was corroborated by the discovery of clothing and other personal belongings that had also been taken to the house where it was found. All in all, the evidence was so complete that the jury was not especially impressed by the defendants' protestations of innocence.

In the background of this case stood the sinister figure of W., although the much desired evidence was not at first forthcoming. It was later proved that his was the directing hand, but the young women were so loyal to this master criminal that they allowed themselves to be convicted and sent to prison without betraying him. It was not until some time later, when he was convicted upon another crime and actually put behind bars, that they broke down and admitted his part in their fire.

His final apprehension came about in an interesting way. During the investigations connected with the case just narrated the detectives learned that W. was negotiating for the purchase of a twenty-two room house known as — Hall. In the light of his peculiar reputation the circumstances seemed suspicious.

The house, while of frame construction, was finished and decorated in an extravagant fashion, but a change in the character of the neighborhood made it no longer desirable for residential purposes.

By this time the state fire marshal was watching W. closely. As soon as the Hall negotiations were learned of, the Fire and Police departments and the sheriff's office of the city were put upon their guard. The local insurance agents were requested to see that all insurance should be cancelled, and that no other should be issued if the family moved away, although this request was not complied with. As soon as W. secured possession of the property—the transaction was handled in the name of his wife—he succeeded in obtaining insurance to the value of \$17,500, the insurance being paid

for by him, but at once assigned and transferred to his wife.

The fire was not long in coming. By something more than a coincidence, it broke out on a night when the streets were so slippery that it was difficult for the Fire Department to reach the house. Nevertheless, the firemen succeeded again in frustrating the expectation that the fire would burn up its own evidence. Later it was testified that W. had said, "If that house ever gets on fire it will burn like a torch."

The blaze was soon extinguished, and the premises bore the familiar signs of a carefully prepared crime. Five distinct "fire traps" had been prepared on different floors. Openings had been made in walls for connecting fuses, consisting of ropes of braided muslin, covered with oil and lard. Piles of kindling and cotton, saturated with kerosene, were found at various places. It was clearly a professional job, quite what had been expected by those who were watching the new purchaser.

Conviction Difficult

A layman might think that there would hardly have been the slightest difficulty about securing a conviction, but those engaged upon the case well knew that they were dealing with an adroit and resourceful criminal, whose political influence was so great that it had more than once served to extricate him from difficult positions. It was realized that in dealing with W. witnesses were likely to disappear, or to recant, and even that judges had been known to give him the benefit of flimsy technicalities, where the moral certainty of his guilt was undoubted. Therefore, the detectives set themselves to run down every confirmatory clue, and it was only after some clever work that the case was made complete.

It was highly characteristic of W. that upon the morning following the fire he went to Hall and faced the representatives of the Fire Marshal's Department with the bold claim that somebody had attempted to destroy his property, and that he must insist that they leave no stone unturned in tracing the criminal. This the marshal's men agreed to, adding significantly that if the evidence involved him, they would make another effort to bring him to justice, as they had often tried to do before.

Then began the piecing together of the case. Holes were found bored into the base of some of the walls. They were noted, but no explanation appeared until finally a funnel of peculiar shape, wrapped in a local newspaper of the day preceding the fire, was discovered in the kitchen. The funnel had been cut off at the small end and fitted with an elbow. It showed traces of oil. At once the detectives recognized that it was admirably adapted for the purpose of pouring oil into the partitions through the holes that had been bored.

An Alibi Broken Down

They followed this clue and succeeded in establishing the fact that the funnel had been made by a tinsmith in a nearby town, where W. resided. The tinsmith testified that it was made to order for W., who thereupon acknowledged the fact, but stated that it was for use in his automobile. Automobile experts in turn demolished this claim by showing that no such use was possible. Thus was forged one strong link in the evidence.

Another was that of a small hand bag, and a pair of arctic over-shoes discovered in the house, and also identified as W.'s belongings. To all such evidence W. brazenly countered with an alibi. He was not in the city upon the night in question, and was the innocent victim of a dastardly crime of which he knew nothing. He admitted having been in town upon the preceding morning, but had, he claimed, taken an early train to his home town. He was so sure of this that he went into ingenious details. The conductor, he said, had come back to him with the ticket he had first handed out and had said, "Mr. W., the date of this ticket has expired, and I cannot accept it," thus reminding him that he had inadvertently given the wrong ticket. In support of this he was now able to show the investigators that he still possessed the ticket which the conductor had returned to him. Unfortunately for him, the conductor had a good memory. He said that W. had not been on his train, and that the ticket incident had not transpired. This was best evidenced by the fact that the ticket was still unpunched, whereas, had the ticket been taken up by him, even temporarily, as claimed, it would show his punch mark.

Thus the alibi was broken, and the detectives at last had the well-earned pleasure of seeing their man sent to prison, where he still resides.

A case which, in some of its features, was still more extraordinary is that of the so-called "Arson Trust," also of the Middle West. For some time there had been a series of fires which seemed more than a coincidence, since the ownership of the buildings burned was traceable to a well-defined group of eight or ten people. Naturally, these people were under suspicion, but for a long time it proved impossible to "get the goods" on any of them. The steps by which this was finally brought about were of an interesting nature.

A house was purchased by a saloonkeeper, one of the group under suspicion. Not far away there lived one of the deputy fire marshals of the state. This deputy was awakened one night by an alarm of fire, and, seizing a revolver and an electric flashlight, he rushed out doors just in time to see a man run by him in the darkness and turn into an alley.

Another person might have hurried to the fire, but the instincts of the deputy were to follow this suspicious fugitive, which he did with all speed. He heard in the darkness the sound of a fall, and realized that the runner had tripped over a post just outside of a neighboring stable door, at a point where the ground was covered with cinders. When the deputy arrived the man had picked himself up and disappeared. However, a moment later he found a man lurking under a pile of lumber, and forced him to surrender. The man's hands and face were scratched with cinders and his clothing smelled of kerosene. He proved to be a character known locally as Tom Wood, a suspected "torch" of the Arson Trust. When to the other incriminating facts there was added the discovery in his pocket of a key that fitted the house just set on fire, Wood saw the futility of further resistance. He confessed that he had done the work and that he had been employed for the purpose by the saloonkeeper, who owned the house.

There was, indeed, good reason for their relief, for there was something more than suspicion that the Arson Trust did not stop short of murder when they believed it in their interests.

One of the pals of Wood was a man known as "Shorty" Shannon, also a professional "torch" for the trust. After Wood was arrested and locked in the county jail "Shorty" Shannon made a confession, and stated that he had set certain fires. One day Shannon came into a saloon and while visiting with some men around the bar drank beer with them. He at once fell over on the floor dead. Through a strange coincidence, there was no coroner's inquest, and the body was buried at once. Strange coincidences, however, were characteristic of the activities of the "trust." While Wood was in the jail a woman who was a friend and neighbor of Sikes visited him, and brought him a lunch. He afterward said his suspicions were aroused, but he ate part of a banana and immediately became violently ill, having every symptom of arsenic poisoning. Before the detectives could get possession of this food it had been destroyed, and no trace of it was ever found.

Drew had certain incendiary preparations in mind, but to give an explanation for the unwonted activity in a place long vacant he let it be understood that he had in mind the reopening of the hotel. "Ward," or Wood, therefore, proceeded to have carted away several loads of ashes. There was a sound of hammering within the building. Neighbors realized that certain repairs were logically to be expected, but could not know that these "repairs" consisted in nailing up all of the windows and putting cleats before the doors to prevent their being opened. "Ward" purchased a gasoline stove for the kitchen, after which it was quite natural that he should have a five-gallon can of gasoline also delivered. Thereupon the simple preparations were complete, with the single exception of pouring gasoline down the dumbwaiter shaft and adding a touch of flame at the bottom of the shaft, after which "Ward" quietly walked out of the back door and sauntered down the street.

Presently smoke and flame appeared, and the firemen, of course, responded, but found it difficult to overcome the precautions made to keep them out. In short, it made a beautiful fire. Drew and Sikes, having ostentatiously left town upon the preceding morning, were, of course, provided with alibis. There were plenty of suspicious, but no convicting evidence until Wood was pulled out from under the pile of lumber.

In the light of the confession it was not difficult to secure indictments against all three men, but that against Wood was annulled, in view of his having witnessed for the state.

Every one familiar with trials realizes, however, that indictments are but one step toward final incarceration, and that many times criminals have slipped through the meshes upon mere technicalities. An incident resembling this occurred in connection with the case of Drew and Sikes. Both men were indicted

upon two charges: one, that of conspiracy, and the second, that of turning to defraud. The conspiracy case was brought to trial, and convictions were secured, but the judgment was promptly appealed by the defense, and the defendants were released upon bail.

Technicalities Impede Justice

Pending a reversal of the conviction through possible weakness in the conspiracy charge, the prosecution brought the men again into court for burning to defraud. In this case great pains were taken to keep every step of the prosecution free from the slightest technical error. This second case likewise resulted in conviction, and was also appealed. Because of various complications of a legal nature the appeal upon the second case was the first to be decided by the Supreme Court. To the great disappointment of the prosecution a technical slip of one word in one of the charges made by the trial judge had nullified all of the pains which they had taken. At one point the judge had inadvertently referred to the crime as "arson" instead of "burning to defraud." The statutes of that state give "arson" a technical definition not exactly applicable in the case of the "Exchange" fire.

Here was an excellent example of the distinction between "legalism" and "justice," since the facts of the case were not impugned. Thus weeks of work might have gone for naught had not the appeal upon the first case been decided by the Supreme Court, with the conviction for conspiracy sustained. The two "trust magnates" were given quarters in the penitentiary at Joliet and the authorities heaved a sigh of relief.

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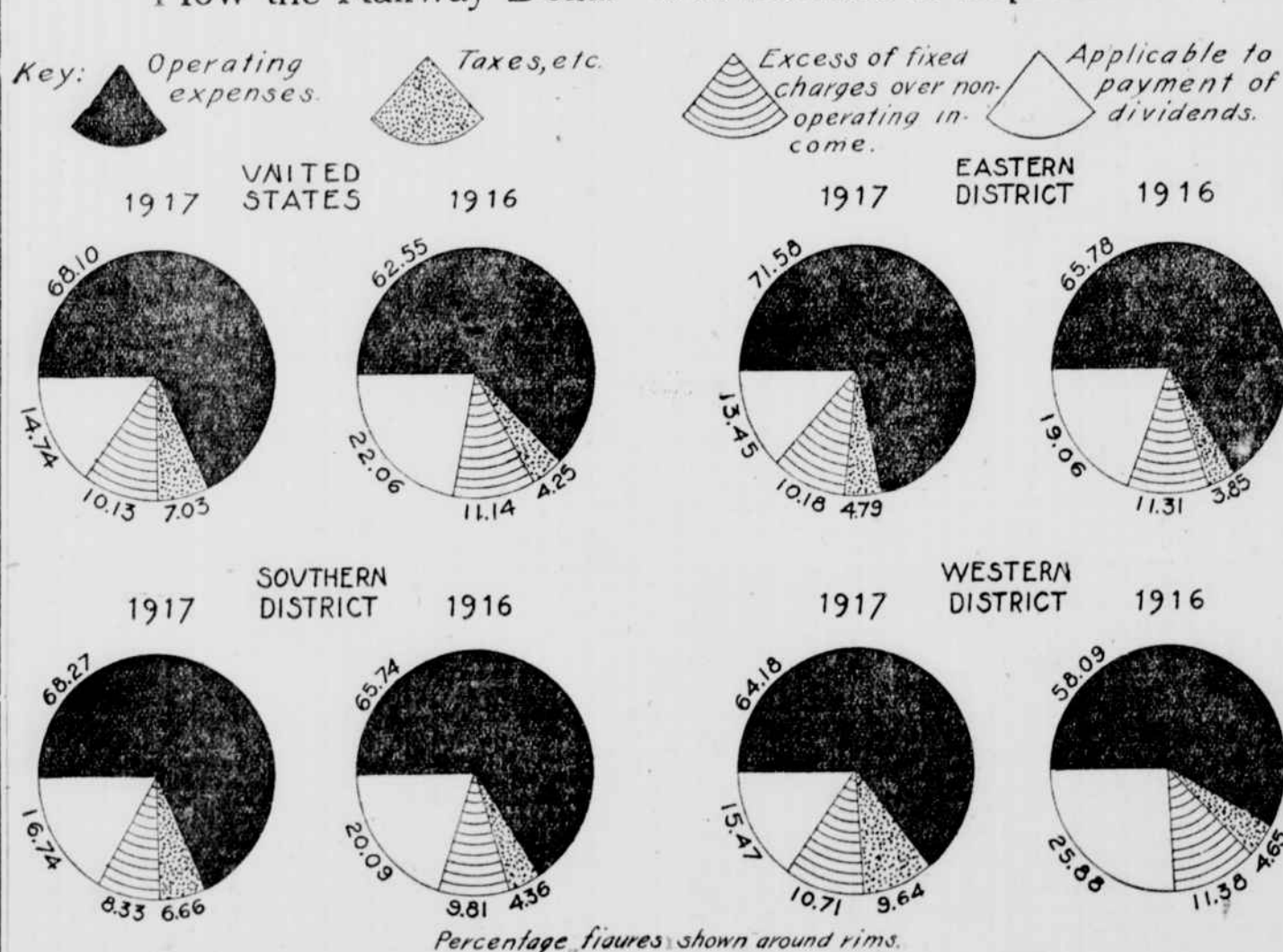
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How the Railway Dollar Was Divided in September



	United States		Eastern District		Southern District		Western District	
	1917.	1916.	1917.	1916.	1917.	1916.	1917.	1916.
Operating revenues	\$357,731,325	\$325,311,288	\$160,912,658	\$144,933,577	\$51,754,410	\$43,939,033	\$146,064,257	\$136,438,678
Operating expenses	243,610,187	203,475,979	95,343,997	35,332,325	28,866,438	23,245,544	93,100,780	79,245,544
Taxes, etc.	25,136,095	13,834,298	7,707,290	5,572,962	3,449,874	1,915,303	15,978,931	6,246,033
Operating income	88,985,043	108,001,011	38,028,286	44,016,618	12,972,211	13,137,292	37,984,546	50,847,101
Excess of fixed charges over non-operating income	36,236,861	36,236,861	16,386,698	16,386,698	4,309,617	4,309,617	15,540,546	15,540,546
Applicable to payment of dividends	52,748,182	71,764,150	21,641,588	27,629,920	8,662,594	8,827,675	22,444,000	35,306,555
Common stock outstanding 31, 1916	5,452,193,010	5,452,193,010	2,142,928,796	2,142,928,796	808,591,672	808,591,672	2,500,672,542	2,500,672,542
Applicable to payment of dividends on total common stock outstanding	0.97%	1.32%	1.01%	1.29%	1.07%	1.09%	0.90%	1.41%
Average amount of dividends paid out of earnings for each month during year ended December 31, 1916	—	15,657,046	—	6,853,412	—	240,392	—	8,563,242
Average dividends paid out of earnings for each month during year ended December 31, 1916	—	0.29%	—	0.32%	—	0.30%	—	0.34%